

## Bright Introduces Bipartisan Legislation to Create Small Business Start-up Savings Accounts

WASHINGTON, DC &ndash; Congressman Bobby Bright sponsored bipartisan legislation this week to create small business start-up savings accounts (SBSSAs) for future entrepreneurs. Congressman Glenn Thompson (R-PA) joined Congressman Bright in introducing H.R. 4309. The Small Business Start-up Savings Accounts Act of 2009 will allow individuals planning to open a small business to invest start-up capital into a tax-preferred savings account. These accounts would function similarly to a Roth IRA; investments into the savings account would be made post-tax, but would not be taxed when withdrawn. Senator Mark Pryor (D-AR) is working on similar legislation in the Senate.

Under the bill, individuals with personal incomes up to \$150,000 per year are eligible to create these start-up accounts. There is a \$10,000 a year contribution limit into SBSSAs, with a lifetime maximum of \$150,000. Qualifying start-up costs include capital costs, equipment, facilities, organizational expenses, marketing, training, incorporation, and accounting fees within the first six months. SBSSAs are limited to one time use (can only be used to open one business) and if funds are not used for qualifying expenses, disbursements from the account will be taxed at the normal applicable capital gains rates.

For example, if someone were to invest \$2,500 a year for 10 years, he or she could potentially have an estimated balance of \$37,539 at the end of the investment period. This result would yield an \$18,085 return, approximately \$5,550 more than the same amount invested in a taxable savings account.

“Small businesses create anywhere from 60-80% of American jobs, yet there is not currently a method for these entrepreneurs to effectively save the money to create their own company,” Bright said. “The bill will help Americans save up to create their dream business and in turn, add jobs to our workforce. This is a smart and innovative way to create jobs while giving entrepreneurs peace of mind that they won’t have to dip into traditional savings or retirement accounts to finance start-up costs. I would like to thank my friend and colleague Congressman Thompson for introducing this legislation with me, as well as Senator Pryor for his work in the Senate.”

“Anything that will provide an incentive for small business start up and the job creation that follows is a good thing,” said Congressman Thompson. “I believe these accounts can be the starting point for an individual to pursue his or her entrepreneurial dreams. This is a type of smart-government economic stimulus that doesn’t add to the deficit and continues to foster the forward thinking that has made America so great. This is a real win-win scenario for everyone,” added Thompson.

#### Background:

Entrepreneurs launching a new business can expect to spend approximately \$80,000 in start-up costs in the first year alone. Though the tax code currently incentivizes savings for such items as education, health care, and retirement, but there is nothing to encourage small business creation. As a result, 40% of entrepreneurs use their 401(k)s or retirement funds to finance start-up costs. Additionally, 29% also use some form of outside debt financing. Compounding these funding problems is the fact that the average American lost 14% of the value of his or her 401(k) in 2008, and access to credit continues to be a problem for many small businesses and individuals.

In a tough economy, SBSSAs could prove to be a valuable resource for people trying to create a small business. As history has shown, businesses employing less than 20 people actually witnessed job creation as large firms shed jobs, as was the case during the recession years of 1991 and 2001. In fact, over half of the companies currently listed on Fortune 500 were founded in either recessions or bear markets. Moreover, IRAs are already familiar to a large portion of American families, as 18.6 million Americans have a Roth IRA account.